

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST PENDLETON)	
WATER DISTRICT FOR AN INCREASE IN)	
RATES PURSUANT TO THE ALTERNATIVE)	CASE NO. 9701
RATE FILING PROCEDURE FOR SMALL)	
UTILITIES)	

O R D E R

On October 1, 1986, East Pendleton Water District ("East Pendleton") filed its application seeking to increase its rates in order to generate additional revenues of \$16,057 annually, an increase of 10.8 percent over its normalized revenues. On November 7, 1986, the Commission staff performed a limited audit of East Pendleton's operations for the purpose of evaluating the requested increase of rates. On December 2, 1986, the staff issued its report containing findings and recommendations related to the requested increase. East Pendleton did not file any comments in response to the staff report.

The staff report recommended that East Pendleton be granted the full amount of the requested increase. Subsequent to the issuance of the staff's report the Commission received the decision of the Kentucky Supreme Court in cases 86-5C-342-D-G and 86-5C-362-D-G. The decision in these cases, involving three water districts subject to the Commission's jurisdiction, requires that the Commission include depreciation on contributed property as an expense for rate-making purposes. Neither East Pendleton's

application nor the staff report included rate recovery of depreciation on contributed property.

By letter dated January 6, 1987, filed with the Commission as an amended application and included in the record in this case, East Pendleton requested rate recovery of its depreciation on contributed property in the amount of \$15,180 annually.¹ Such request results in a total increase in revenues of \$31,237, or 21 percent. The Commission, finding the recommendations contained in the staff report to be reasonable and, in conformance with the decision of the Kentucky Supreme Court, will grant the full amount of the amended request.

The increase in rates granted herein should produce gross annual revenues of \$183,625. After deducting cash operating expenses of \$128,314 and the annual debt service requirement of \$24,930, East Pendleton will have \$30,543 available to be set aside for replacement, renewals, extraordinary maintenance and future expansion. Of this amount, \$27,148 is derived from non-cash depreciation expense.

East Pendleton's bond resolution requires a depreciation fund which shall be used for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals, or replacements not included in the annual budget of current expenses and the costs of constructing additions and improvements. Section 12(B) of the bond resolution requires a monthly deposit of at least \$348

¹ The amount was calculated by the Commission staff and communicated to the district by letter dated December 29, 1986.

into the depreciation fund; however, greater amounts may be set aside upon approval by the Board of Commissioners. Based on the additional funds available this Commission recommends that East Pendleton consider setting aside an amount greater than the minimum requirement. East Pendleton is hereby advised that the Commission will monitor future annual reports and review future rate proceedings for the proper funding and utilization of additional revenues generated from the allowance of depreciation expense on contributed property.

SUMMARY

The Commission, based on the evidence of record and being advised, is of the opinion and finds that:

1. The rates proposed by East Pendleton would not produce the revenues found reasonable herein and should be denied pursuant to KRS 278.030.

2. The rates in Appendix A are fair, just and reasonable and should produce annual revenues from water sales of \$183,625.

IT IS THEREFORE ORDERED THAT:

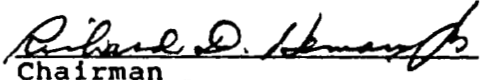
1. The rates in Appendix A be and they hereby are approved for service rendered by East Pendleton on and after the date of this Order.

2. The rates proposed by East Pendleton be and they hereby are denied.

3. Within 30 days of the date of this Order East Pendleton shall file with the Commission its revised tariffs setting out the rates approved herein.

Done at Frankfort, Kentucky, this 23rd day of January, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9701 DATED 1/23/87

The following rates and charges are prescribed for the customers in the area served by East Pendleton Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RESIDENTIAL

<u>USAGE BLOCKS</u>	<u>RATES</u>
First 1,000 gallons	\$ 10.00 Minimum Bill
Next 99,000 gallons	3.75 per 1,000 gallons
Over 100,000 gallons	3.30 per 1,000 gallons

BLACK RIVER MINING COMPANY

Monthly Meter Charge	\$300.00 Minimum Bill
First 100,000 gallons	3.75 per 1,000 gallons
Over 100,000 gallons	3.30 per 1,000 gallons

KINCAID LAKE PARK

First 100,000 gallons	\$580.00 Minimum Bill
Over 100,000 gallons	3.30 per 1,000 gallons

MT. AUBURN APARTMENT

First 20,000 gallons	\$ 81.25 Minimum Bill
Next 80,000 gallons	3.75 per 1,000 gallons
Over 100,000 gallons	3.30 per 1,000 gallons

E. MORRIS TRUCK STATIONS

All water	\$ 3.30 per 1,000 gallons
-----------	---------------------------